

P-421/CI-88-152CONTINUING INVESTIGATION AND REQUIRING FURTHER FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of an Investigation into
Northwestern Bell Telephone Company's
Optional Measured Service Trial Offerings

ISSUE DATE: June 9, 1989

DOCKET NO. P-421/CI-88-152

ORDER CONTINUING INVESTIGATION
AND REQUIRING FURTHER FILINGS

PROCEDURAL HISTORY

On March 14, 1988 the Commission issued its ORDER INITIATING INVESTIGATION in the above-captioned matter. In that Order the Commission initiated a summary investigation into Northwestern Bell Telephone Company's (NWB or the Company) provision of Optional Measured Service. Optional Measured Service (OMS) is a form of local service in which customers' monthly charges reflect the number of calls made, and the distance, duration, and time of day of each call.

The Company began offering Optional Measured Service on a trial basis in 1982, under authority granted in the final Order of the Company's 1980 general rate case. In the Matter of the Petition of Northwestern Bell Telephone Company, Minneapolis, Minnesota for Authority to Change its Schedule of Telephone Rates for Customers within the State of Minnesota, Docket No. P-421/GR-80-911, FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER (December 29, 1981). In a first year review of the trial offering, the Commission found that Optional Measured Service had significant potential for meeting the special needs of certain subscribers, especially low income and low usage subscribers, and that its availability should be expanded. In the Matter of the Petition of Northwestern Bell Telephone Company for Authority to Change its Schedule of Telephone Rates for Customers within the State of Minnesota, Docket No. P-421/GR-82-203, SUPPLEMENTAL FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER RELATING TO OPTIONAL MEASURED SERVICE (September 1, 1983). In the same Order the Commission noted that, as a new service in a rapidly changing telecommunications environment, Optional Measured Service could well require modification in the future. The Commission invited all parties to monitor the service's performance and to suggest changes whenever they appeared appropriate.

The parties did so, and on December 19, 1984 the Department of Public Service (the Department), the Residential Utilities Division of the Office of the Attorney General (RUD-OAG), and the Company filed a stipulation in which they agreed that Optional Measured Service rates required

adjustment, that their access component should be increased and their usage component decreased, and that the precise amount of the adjustment should be determined in the Company's next general rate case. Meanwhile, the Commission continued approving Company requests to offer the service in new exchanges.

The Commission initiated the present investigation once it became clear that the Company was unlikely to file a rate case in the near future. The Order initiating the investigation required the Company to file a report answering specific questions on Optional Measured Service and invited interested parties to comment on the report. The Company filed the report as directed, and the Department and the RUD-OAG filed comments on the report.

The matter came before the Commission on May 11, 1989.

FINDINGS AND CONCLUSIONS

The written comments submitted by all three parties proceeded on the assumption that any Optional Measured Service rates set as a result of this investigation would be set after contested case proceedings. The comments therefore focused largely on what issues should be addressed in such proceedings and on whether those proceedings should be instituted immediately or deferred until the Company's next general rate case. The comments did not offer comprehensive analysis of the implications of Optional Measured Service for telecommunications policy and did not contain the kind of factual detail necessary to allow the Commission to make any necessary adjustments in existing OMS rates.

By the time of oral argument, however, it had become clear that contested case proceedings might be unnecessary, that perhaps no material facts were in dispute. Both the Department and the RUD-OAG recommended an additional 90-day comment period over contested case proceedings. The Company acquiesced.

The Commission agrees that this investigation can perhaps be concluded without contested case proceedings. To this point, no party has challenged the facts alleged by another party, and no party has claimed that material facts are in dispute. The major issues posed by Optional Measure Service appear to be policy issues, or issues resolvable on the basis of stipulated facts. Under these circumstances, the Commission will establish an additional 90-day comment period as suggested by the parties.

At the conclusion of this proceeding, the Commission will determine whether or not Optional Measured Service should be made a permanent service offering, what form any such permanent service should take, and how it should be priced. To assist the Commission in making these determinations, the parties should file joint or individual comments addressing the following issues:

- a. the role of Optional Measured Service in providing an adequate range of local service options;

- b. the relationship between Optional Measured Service and Universal Service;
- c. the appropriateness from a cost perspective of including each of the four usage elements -- duration, distance, time of day, and number of calls -- in the usage component of Optional Measured Service rates;
- d. the appropriateness from a policy perspective of including each of the four usage elements -- duration, distance, time of day, and number of calls -- in the usage component of Optional Measured Service rates;
- e. the likely impact of Optional Measured Service on future telecommunications services;
- f. the percentage of the cost of flat rate service and the percentage of the cost of Optional Measured Service which is currently recovered through their respective rates;
- g. the specific rates which would have to be charged for flat rate service and Optional Measured Service for each service to recover the same percentage of its costs; (Parties' responses on this issue should assume a need to maintain existing revenue levels, should explain all assumptions relied upon, and should include copies of work papers.)
- h. each party's recommendation on whether Optional Measured Service should be made a permanent service offering of Northwestern Bell;
- i. each party's recommendation on what rates the Company should be allowed to charge for flat rate and Optional Measured Service.

The Commission also invites the parties to submit comments on any other issues regarding Optional Measured Service which they believe should be considered in the context of this proceeding.

ORDER

1. Within 90 days of the date of this Order the parties shall file further comments including, but not necessarily limited to, responses to items a through i, listed above.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)